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SUBJECT: IAEA: MOVING NUCLEAR SECURITY INTO THE MAINSTREAM

Ref: A) UNVIE 52, B) UNVIE 65

Summary

¶1. (SBU) In 2001, shortly after the September 11 terrorist attacks, the IAEA Board of Governors began a process of strengthening the Secretariat's role in preventing nuclear terrorism. The Agency has since adopted a "Nuclear Security Plan," the latest version of which expires at the end of 2009. As Washington considers how to operationalize the President's desire to strengthen the IAEA, including via additional resources (ref A), Mission recommends making it a key priority to give the IAEA's nuclear security activities increased prominence. Director General ElBaradei recommended in 2001 that nuclear security activities be viewed as a core Agency function and funded from the regular budget. However, today the Office of Nuclear Security (ONS) functions for all practical purposes as an appendage of the old Department of Nuclear Safety (albeit the department has been renamed "Nuclear Safety and Security"). Of the approximately 45 professional staff in ONS, four are funded from the regular budget. In total, 90 percent of nuclear security program activities are funded via extrabudgetary contributions from only a few member states, with a total investment of 20 million representing 5 percent of the IAEA budget.

¶2. (SBU) Mission believes a significant increase in regular budget for ONS, at least to cover the staff necessary to implement such a high-priority program, is long overdue. At the same time, we should continue to support specific IAEA security-related projects via increased extrabudgetary funding. Enhancing the IAEA's nuclear security activities is one issue on which we may be able to partner effectively with DG ElBaradei for the remainder of his term, perhaps even to lay the groundwork for making nuclear security a separate, fully empowered department or office within the IAEA bureaucracy, as we would recommend. Raising the profile of security as a core function, while endorsing better communication and cooperation with nuclear safety activities, is crucial. End Summary.

Maturing Nuclear Security Activities...

¶3. (SBU) The IAEA Board of Governors first approved a "Nuclear Security Plan of Activities" in 2002. A refreshed and somewhat expanded nuclear security plan covering the years 2006-2009 was adopted by the Board in 2005. Agency activities pursuant to these plans have established the IAEA as a critical resource for assisting member states to meet their international legal obligations, including UNSC Resolution 1540 and subsequent resolutions, as well as for general assistance to states to prevent, detect, and respond to malicious acts involving nuclear and other radioactive materials. The Agency plays a major role in facilitating USG efforts to reduce

the terrorist risk by securing nuclear and other radioactive materials, removing and disposing of dangerous excess and unwanted radiological sources, and minimizing the use/availability of high enriched uranium (HEU) via HEU fuel repatriation, conversion of HEU-operated research reactors to low enriched uranium (LEU), and shutting down underutilized reactors (to be replaced, perhaps, by shared regional reactors). The Agency also plays a major role in promoting security training and providing guidelines and regulatory assistance to its Member States to build a strong nuclear security culture worldwide.

¶4. (SBU) The general modus operandi for the Agency's nuclear security activities is to provide specific assistance to member states upon their request, but the Agency is increasingly proactive in first helping member states define their needs, gaps, and shortfalls in order to make such specific requests. This is a trend the U.S. supports and the IAEA should reinforce. While the responsibility for the security of nuclear and other radioactive materials rests ultimately with States, and adherence to Agency guidelines and recommendations related to enhancing security is voluntary, the national authorities of most Member States rely heavily on the Agency for technical support, assistance, information, and funding to develop and implement an effective nuclear security program within and across their national borders.

¶5. (SBU) Overlap with Technical Assistance (TC): The Technical Cooperation Program has provided a mechanism for the delivery of some nuclear security activities in Member States. Historically, TC has served as a vehicle for the DOE Global Threat Reduction Initiative (GTRI) to provide funding and technical assistance to convert research reactors from HEU to LEU fuel. In addition, projects established within the Technical Cooperation Program provide the delivery vehicle for nuclear security training courses

and, in some cases, for technical assistance from the Office of Nuclear Security. Other assistance is delivered directly or in cooperation with other offices in the Department of Nuclear Safety and Security, or through the Departments of Nuclear Energy, Safeguards, the Legal Advisor, and EXPO.

¶6. (SBU) Funding: Activities included in the Nuclear Security Program are primarily funded from extrabudgetary contributions to the Nuclear Security Fund (NSF). A small amount of funding, for limited personnel/administrative costs, is provided via the regular budget. As a result, roughly 90 percent of the Agency's nuclear security programs are funded by extra budgetary contributions from a handful of Member States. This is in contrast to funding for nuclear safety and safeguards, which are largely funded via the regular budget, but also receive extrabudgetary contributions.

¶7. (SBU) While the overall budget of the IAEA is approximately 300 Million Euros for CY2009, the average overall budget of the IAEA's Office of Nuclear Security (ONS) comes to approximately 15 Million Euros (only 5 percent of the IAEA's annual budget), counting both extrabudgetary and regular budget funds. It is important to recall that in presenting the funding options to the Board in 2001 for prospective IAEA nuclear security activities (GOV/2001/50), DG ElBaradei said he believed regular budget funding was appropriate, given that he believed nuclear security should be one of the core activities of the Agency. At the time, however, due to the zero real growth budget policy and in the interest of finding a funding solution quickly to facilitate contributions, the Board decided to create the extrabudgetary NSF. In so doing, Board members suggested the funding mechanism be revisited at a later date.

¶8. (SBU) As of December 2007, a total of \$62.8 million had been contributed to the NSF from 31 Member States and one U.S. nongovernmental organization (Nuclear Threat Initiative), with the USG providing over \$37.4 million (over 59 percent of the total extra budgetary funding). The next largest contributors are the European Commission, United Kingdom and Canada, who together with the USG make up 90 percent of all extrabudgetary contributions for nuclear security activities to date. Several Member States have made in-kind contributions to the program by providing cost-free experts, offers of services, equipment and/or the use of facilities. The majority of contributions come with conditions for use. Specific use of the donations is discussed and agreed with a donor State before the contribution, in order to preclude gaps in funding of

activities and overlapping donations. About 20 percent of the Agency's Member States provide funds to the NSF. Continuing to rely on a small number of major donors via extrabudgetary funding puts long-term optimal implementation of nuclear security programs at risk.

... Should Be Given Increased
Budgetary, Bureaucratic Prominence

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¶9. (SBU) At the March 2002 Board meeting, when the NSF was established, DG ElBaradei expressed the recommendation that the funding of security-related activities in the future be addressed in the context of a budget that responded to real needs and not a budget with an a priori ceiling. In light of ref A discussion of a possible IAEA regular budget increase, Mission believes the time is now for the sort of review to which the DG referred. At this writing, ElBaradei's staff is proposing in its 2010-2011 budget (septels) a first step in the direction of redressing Security's lack of regular funding, to raise to approximately 35 percent the share of ONS funds provided from the regular budget.

Comment and Recommendation

¶10. (SBU) Effective nuclear security is a critical component in the fight against nuclear terrorism. Nuclear security should no longer be "the poor step child" amongst the IAEA's core missions of safety, safeguards, and security. Security is the only activity that has cross activities with both safeguards and safety, yet it has the least resources. Nuclear security activities are directly linked to the efforts to prevent terrorist acts; elevating security to an office or department in its own right and giving the office proper funding would signal that the fight against terrorist acts is a top priority and part of the IAEA's core mission. UNVIE is aware of concerns, e.g., expressed by NRC Chairman Klein, that the integration of safety and security activities, already inadequate, would suffer further if the staffs were separated bureaucratically. Improving communications and coordination within the Secretariat is, in our observation, a systemic and cultural challenge and one that requires our effort whether Safety and Security ultimately remain one department or not. With that consideration in mind, UNVIE recommends the USG begin working with the Office of Nuclear security to include in its next Nuclear Security Plan (likely to come before the Board in September 2009) a strategy to achieve:

-- Regular budget funding consistent with appropriate levels of staffing necessary for this critical IAEA mission, as well as at least some portion of ONS projects.

-- A plan to approach the key IAEA Donor States to gain buy-in on maintaining additional extrabudgetary funding necessary to fully implement the Agency's Nuclear Security Plan

-- A plan to move security out from under the wing of the Agency's safety activities by creating an independent office or department that reports directly to the Director General.

¶11. (SBU) Achieving support for such a plan in the Board will not be easy and will be weighed against other budget priorities. However, we may already have potential allies. In the past the Dutch, in particular, as well as the French and Canadians, were among those most supportive of funding nuclear security programs from the regular budget. No doubt, even likeminded states will resist regular budget increases, and G-77 states will look to link any such increase for security to increases in TC or other promotional/assistance activities. However, in light of the Obama Administration's calls for a strengthened IAEA, along with our stated willingness to back that call with more funds, there may never be a better time to launch an initiative to mainstream security activities at the IAEA. Doing so only after the world experiences a major nuclear or radiological terrorist event would be tragic. Moreover, DG ElBaradei is on record as supporting such mainstreaming (at least on the budget front), and it is possible, perhaps likely, that the next DG will want to put his/her stamp on the Agency by being seen to preside over a substantial strengthening

of this essential core function.

Realigning UNVIE on Nuclear Security/Terrorism

¶12. (SBU) Reflecting Mission's view of the increasing role we believe the IAEA will play on nuclear security, we are realigning responsibilities within UNVIE on nuclear terrorism. This will be addressed septel.

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